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South Africa in a New Decade

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SOUTH AFRICA IN A NEW DECADE

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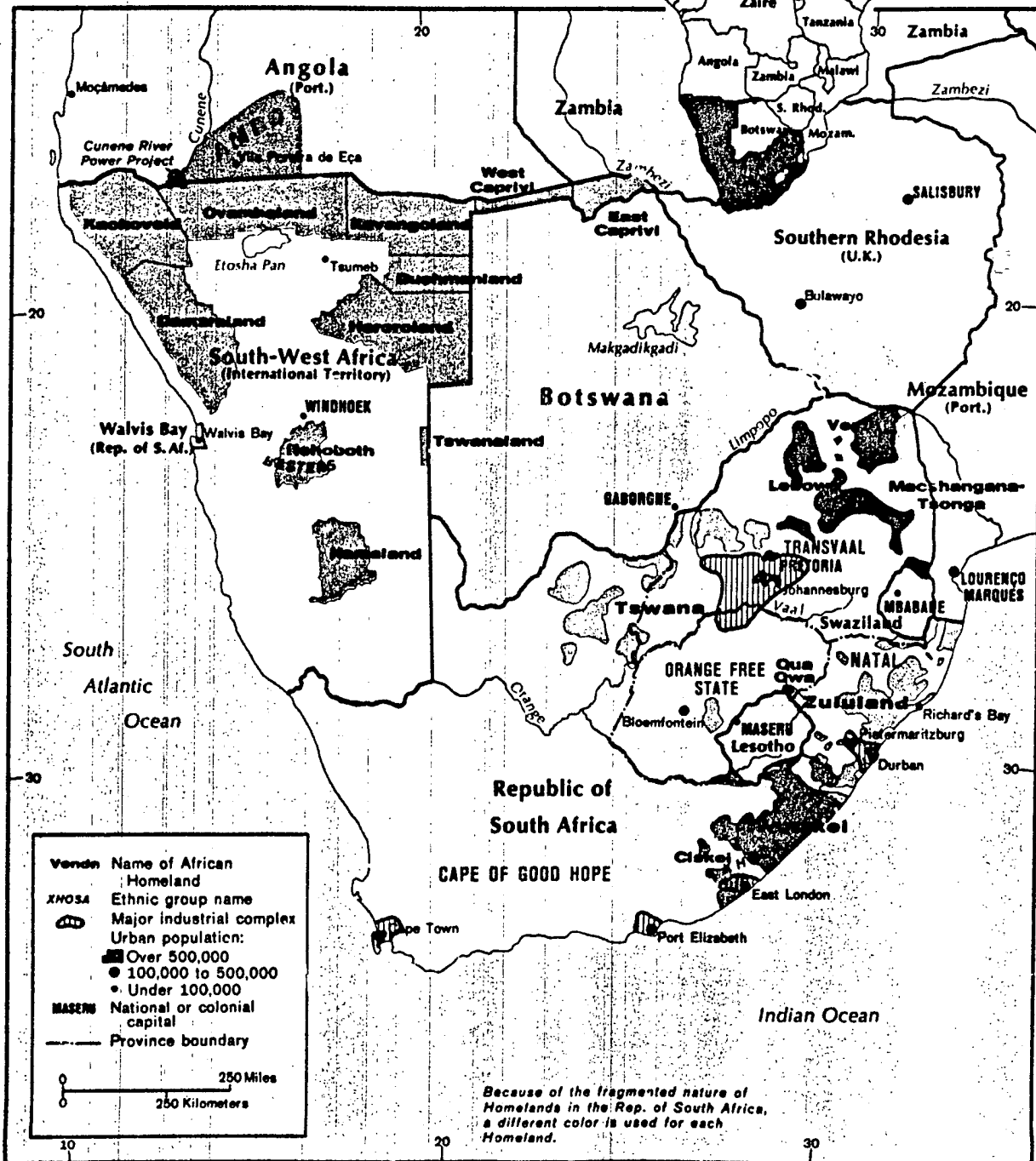
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Republic of South Africa and South-West Africa



Because of the fragmented nature of Homelands in the Rep. of South Africa, a different color is used for each Homeland.

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SOUTH AFRICA IN A NEW DECADE

CONCLUSIONS

A. South Africa's four million whites have a strong and diversified modern economy, efficient internal security police, and by far the most effective armed forces in Africa. Most of them staunchly support the government's commitment to maintain white supremacy, internal security, and high living standards (for whites). Hence we see virtually no prospect that white minority rule over South Africa's 16 million non-whites will be overturned in this decade, nor do we expect it to be seriously threatened during the next three or four years.

B. South Africa nevertheless faces increasing pressures for change. A small but growing group of whites opposes the government's doctrinaire approach to the country's problems. The program of separate development of white and non-white communities is not working and almost certainly will not work. White businessmen will continue to oppose government efforts to relocate industry near the tribal areas (called homelands or Bantustans), and will press the regime to allow a more efficient use of the country's potential labor resources. White taxpayers are not likely to agree to provide the large sums of money which would be needed to enable the black homelands to support their current tribal populations, let alone the populations envisaged for them. Hence the severe shortage of jobs and housing in the tribal reserves will persist, and so will the influx of blacks into cities in search of work.

C. Pressures for change will grow, and South Africa is likely to experience increasing social ferment during the remainder of this

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decade. The success of the recent Ovambo strike in South-West Africa, growing political cohesion in the Bantustans, and the increasing demands on the government by dynamic tribal leaders seeking jobs, land, and housing for their people, have led to increased expectations, which the government is not likely to satisfy. The regime may try to evade its responsibility for dealing with the growing economic and social malaise in the tribal areas by moving faster to declare them independent. But many whites probably would oppose the creation of formally independent black enclaves within South Africa's borders; and major tribal leaders would be unlikely to accept independence without heavy economic aid commitments.

D. The importance of South Africa to the West has been enhanced as a result of the closure of the Suez Canal and the greatly expanded world shipping—merchant and naval—around the Cape of Good Hope. Vorster recognizes this and realizes that the West is increasingly concerned over the Soviet naval presence in the Indian Ocean. He will seek to capitalize on these developments to advance South Africa's foreign policy objectives. In particular, he will hope that US interest in access to his country's ports and shore facilities will enable him to establish a closer relationship with the US, implying at least tacit acceptance of South Africa's racial policies and improving its image abroad.

E. As long as the Pretoria regime pursues its present racial policies, official US ties with the South African Government will come under criticism, both at home and from other nations—especially the independent states of black Africa. US capacity to influence South Africa's domestic racial policies is limited. Whatever changes occur seem certain to come primarily from within. White South Africans consider their political domination to be non-negotiable.

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DISCUSSION

I. INTRODUCTION

1. In the past few years white South Africans have come close to attaining the elusive *lekker lewe*—the "sweet life" in Afrikaans, the language of the Boers—their notion of the Biblical land of milk and honey. Now, as in the 1850s, the *lekker lewe* rests on three premises: domestic security, white supremacy, and rising living standards for whites. For both Afrikaans- and English-speaking whites, these are the gut issues of South African politics. On all three, the administration of John Vorster, who became Prime Minister in 1966, has performed well.

2. Yet the society is inherently unstable. Not that revolution is imminent, nor white rule threatened. But South Africa, which has been marked for many years by the absence of significant overt social and political movement, now seems to many observers to have reached a stage where the pace of change, for both whites and non-whites, is accelerating. Prospects for social ferment, political activism, and racial confrontation seem greater than at any time since the early 1960s, and these prospects have important implications for future US interests in South Africa. Are the re-

cent events in South Africa harbingers of significant changes in the social and political fabric of the society? Or, are they merely eruptions in a system dedicated to the *status quo*? Much of this estimate is concerned with change, though the forces of continuity and stability remain formidable.

II. THE REGIME'S SOURCES OF POWER

A. The Security Forces

3. South Africa's modern national police force is well-equipped and well-armed. It has almost unlimited powers of surveillance, arrest, and detention. It uses these powers vigorously. Employing an extensive network of informants to penetrate non-white society, particularly in urban areas, the police have been extremely effective in preventing unauthorized political gatherings, and in jailing potential dissident leaders. There has been no resurgence of the dramatic incidents of violent protest which occurred in black townships and tribal areas of South Africa during the early 1960s.

4. The police have full support from the government and most whites. A small but vocal minority, including some major news-

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papers, churchmen, opposition Members of Parliament (MPs), and others, continue to protest, with some effect, restrictive national laws and the suppression of individual liberties. But most whites seem willing to accept the assurances of the Minister of Interior that innocent citizens have nothing to fear. They applaud the regime's success in controlling a social and political environment which all recognize as inherently explosive.

5. The South African Government has also won broad support for its handling of the insurgency threat. Many whites, including South Africa's leaders, believe that the current social and political ferment throughout the continent is Communist-inspired and managed; that it would be no problem without Communist instigation. They point to materiel and training provided by Communist countries to insurgency groups operating against white minority governments in southern Africa. They see foreign-based black liberation groups operating against the Portuguese, Rhodesians, and South Africans as the spearhead of a Communist thrust into southern Africa. Except for an occasional land-mine planted in the remote Caprivi Strip area of South-West Africa, however, guerrilla operations on South African territory have been totally ineffective. This is due both to the ineptitude of the guerrillas and the effectiveness of South African security forces. But white voters give the regime the credit.

6. The Vorster government has taken important steps to develop and modernize South African defense forces. Expenditures on military hardware amounted to more than \$500 million in the past decade, and are increasing. South Africa produces virtually all equipment needed for counterinsurgency activities, manufactures armored cars, and is expected to begin the assembly of Mirage jet fighters under French license. South Africa has purchased three French-built attack submarines, and

currently is making efforts to purchase more small coastal patrol ships and maritime patrol aircraft.

7. South Africa's Armed Forces, which a decade ago consisted of only about 18,000 active duty personnel and 54,000 reserves, now include a total of 35,000 and 132,000 personnel, respectively. The conscription law, revised in 1967, is bringing in some 30,000 young whites annually for a year of basic and advanced training to be followed by 9-15 years of reserve duty. South Africa's military forces are trained for defense against both internal and external enemies. All of these moves are consistent with the regime's belief—shared by many of its constituents—that the country should be an important link in Western defenses against Communist military power.

B. Promoting White Supremacy

8. The Afrikaners and their National Party first came to power in 1948 on the slogan of Apartheid—racial separateness. At the time they had no clear idea of how Apartheid would be put into effect or where it would lead them. But to the Afrikaners the concept seemed to offer a way to maintain white supremacy and Afrikaner identity in a country that was almost four-fifths black.

9. Over the next 15 years the government gradually introduced a comprehensive program of "separate development" which was, in fact, a blueprint to partition South Africa ultimately into racial and tribal groupings.¹ By 1966, when Vorster became Prime Minister, an array of laws had been passed to keep the races separate and unequal in jobs, everyday

¹ "Apartheid" and "separate development" both describe South African Government policy. In popular usage, "Apartheid" refers to the controls imposed on non-whites in every sphere of activity, while "separate development" emphasizes the tribal homelands and border industry programs.

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life, and places of residence. The notion of settling South Africa's blacks into rural "tribal homelands", or Bantustans, was given legal substance in 1963, when the Transkei was declared the first "self-governing" homeland. The Bantustans, which South Africa's Afrikaner leaders see as the only approach to the race problem consistent with the doctrine of Apartheid, have received widespread publicity and growing attention from the government during the past few years.

10. Vorster's political views would be considered far to the right in most Western countries; but in the context of National Party politics he is slightly to the left of center. His administration has been less doctrinaire than its predecessors in implementing separate development, particularly with respect to some of its more petty aspects. But in promoting Apartheid's grand design, Vorster has moved ahead. Zululand is in the process of becoming a major "self-governing" homeland.² The government has begun to draft detailed plans to consolidate scattered pieces of Ciskei and Zulu territory (see map), and has made a number of proposals for raising money to finance economic development in the Bantustans. (See paragraph 31, page 9.) The regime also offers tax concessions and other inducements for South African industries to locate near the Bantustans, where—it is hoped—they will eventually provide jobs for the growing population of the tribal homelands.

² Like the Transkei, Zululand (to be called Kwa Zulu) will probably have a partially-elected Legislative Assembly, which will control such local affairs as courts, taxes, education, welfare services, and local police. Other matters—e.g., foreign affairs, Zulu constitutional amendment, customs, defense, currency and banking, and communications—will be legislated from Pretoria. Even acts within the Zulu legislature's competence will be subject to review and veto by the Republic's president.

C. The Vorster Economic Boom

11. White South Africans have continued to enjoy the fruits of a strong and rapidly growing modern economy under the Vorster government. Its policy of promoting the expansion and diversification of industry based on domestic resources has been largely successful. The government's direct investment in strategic industries has grown, and it now controls some four-fifths of the country's output of iron, steel, and phosphates. Dependence on imports has been substantially reduced, although South Africa still has heavy requirements for foreign capital goods and semi-manufactures. While South Africa continues to have a substantial trade deficit, export earnings have been enhanced by the expansion of raw materials processing. A variety of fiscal and monetary incentives has helped to keep foreign and domestic investment at a high level. Gross domestic product (GDP) maintained an average growth of almost six percent a year in the 1965-1969 period, and the regime succeeded in holding price increases to a modest three percent a year. Annual net inflows of capital almost doubled, as did South African reserves. Non-whites are excluded by law and custom from a wide range of jobs in the modern sector; hence unemployment among whites is almost unknown, and the government actively encourages white immigration. The slowdown in 1970-1971 (see Section III-D) has had no discernible impact on white living standards.

D. Vorster's Outward Policy

12. The Vorster government also made certain gains in its foreign relations. In contrast to the inward-looking policies of his predecessors, Vorster has actively sought to enhance South Africa's image abroad—particularly in black Africa. Vorster's willingness to talk with any black African state, coupled with his offers of economic and technical aid, introduced an additional issue of contention to relations

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among black African states, and led to a further polarization of radical and conservative black governments. Among the latter, Malawi is the first independent African nation to extend diplomatic recognition and exchange ambassadors with South Africa. A few conservative African leaders, like those of Madagascar, Gabon, and the Ivory Coast, have indicated qualified interest in accepting Vorster's bid for a dialogue. They have been encouraged to do this by the French, who favor closer links between Pretoria and conservative black African governments to check the spread of radical influence in black Africa. This entails the risk of accelerating the demands of South African blacks.

13. The regime has achieved more tangible successes in the West, despite the UN arms embargo, which was proposed in 1963 as a protest against South African Apartheid. Vorster has had few difficulties acquiring weapons, more or less secretly, from France and a couple of other continental countries. In 1971 the British supplied maritime defense equipment to South Africa, partly to preserve Royal Navy access to the Simonstown base. All this comes as no surprise to Vorster. He frequently asserts that South Africa's strategic importance to the West has increased as a result of the Suez Canal closure³ and the growing international interest in the Indian Ocean. He makes frequent reference to increased Soviet naval activities in the area.

III. ISSUES OF GROWING CONTENTION

14. While Vorster's six years of rule have been a period of general progress and tranquility for South African whites, the government is likely to find it increasingly difficult to maintain these conditions in the years ahead. South African blacks no longer remain un-

³ Currently over a quarter of Western Europe's oil imports, and perhaps a fifth of total world trade volume, pass around South Africa, and increasing numbers of ships use South African ports.

affected by developments in the UN, Rhodesia, Angola, and elsewhere. In addition, a number of long-smoldering problems on which the regime has temporized have recently become contentious political issues.

A. Troubles in South-West Africa

15. In mid-December 1971 the government was unexpectedly confronted with a strike in South-West Africa—the vast, sparsely-populated territory which South Africa continues to rule under a lapsed League of Nations mandate.⁴ The strike began in Walvis Bay among a group of workers from South-West Africa's dominant Ovambo tribe. It quickly spread to mines, railways, farms, and the construction industry. Eventually it involved some 14,000 tribesmen, representing more than a third of those working in South-West Africa's modern sector. The immediate issue was the territory's contract labor system. Africans were forbidden by law from seeking work outside their tribal areas. White recruiters, however, were allowed to hire them for 12-18 month contracts in white areas, always at pay below South Africa's norms and usually without their families.

16. After the strike had gone on for almost 40 days and had brought economic activity in South-West Africa to a virtual standstill, a settlement was reached among the white employers, the South African Government, and official tribal representatives. The workers won concessions on wages and working conditions,

⁴ In 1946 the (then) Union of South Africa sought without success to win UN approval of a plan to incorporate South-West Africa into the Union. The South African Government refused subsequent UN demands to submit a plan for the territory to become a UN trusteeship. In 1966 the General Assembly (and in 1969 the Security Council) passed resolutions terminating the mandate and making South-West Africa a direct responsibility of the UN; later the General Assembly renamed the territory "Namibia". South Africa continues to reject the UN's right to interfere with Pretoria's original mandate.

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freedom to change jobs, and a voice in setting the terms of their employment. Their most dramatic achievement, however, was to demonstrate that Africans not only could stage a strike against the regime—itsself an unprecedented event in South or South-West Africa, where strikes by blacks are criminal acts—but could also wring concessions from their white employers and the government.

17. Indeed, even before the strikers began trickling back to work, there were unmistakable signs that their success had triggered outbursts against a wide range of other long-suppressed grievances. The Ovambos dismantled many miles of the fence that the government had built along the Angolan border. Within the sprawling Ovambo territory, violence—some of it related directly to the strike—flared among sub-tribal groups, leading to reinforcement of the police by anti-African troops. Agitation spread to the Angolan side of the border, where the Portuguese dispatched an elite army commando unit to work with the South Africans toward restoring calm to the troubled tribal areas.

18. These events have made things more difficult for Vorster. In June 1971 the World Court issued an advisory opinion that South Africa has no right to be in South-West Africa; this ruling, together with a UN Security Council demand that South Africa relinquish control over the area, have brought renewed global attention to South-West Africa and additional pressure on Vorster to justify South Africa's role there. The recent disturbances discredit Vorster's argument that Pretoria's administration has the overwhelming support of South-West Africa's peoples. Ironically Ovamboland has often been cited by the regime as a shining example of the separate development policy—South Africa's self-proclaimed original solution to the race problem.

19. The Vorster administration, anxious to avoid additional world criticism over its pol-

icies in South-West Africa, has so far acted with relative restraint in trying to end the Ovambo troubles. If the disturbances continue, however, there is no doubt the government will bring to bear whatever force is needed to restore order. But South-West Africa's blacks have tasted power. Moreover, both the successful strike and the renewed interest of the UN in South-West African affairs have suddenly raised exaggerated hopes that life is about to change for the better. These expectations have been heightened by a recent visit of the UN Secretary General to discuss possibilities for self-determination. South-West Africa will probably remain unsettled for some time to come, particularly in view of its uncertain future political status.

B. Growing Black Nationalism: Apartheid's Mirror Image

The Bantustans

20. Political activism is also on the increase among tribes within South Africa proper. Both the Transkei and Kwa Zulu, South Africa's major tribal homelands, are led by dynamic and politically astute men. Each has seized on Vorster's "separate development" plan and is scoring points with it for his tribe against the government.

21. The Transkei is home for about a third of South Africa's four million Xhosas, led by Chief Kaiser Matanzima. While publicly declaring his acceptance of the Bantustan principle, Matanzima has stated privately that he plans to make the government pay heavily for his compliance. His blunt and well-publicized demands for more local control over Transkei affairs and for additional land have not been met. But he has embarrassed the regime by exposing its unwillingness to take the hard decisions necessary to make the Bantustans a workable institution. His demands also have raised Xhosa expectations by defining what an independent Transkei should be. Presently

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Matanzima threatens to repudiate the whole concept of separate development unless the authorities give the Transkei more land. This is upsetting to Vorster, who counts Matanzima as the only major tribal leader publicly in support of Apartheid.

22. Gatsha Buthelezi, chief executive of the four million Zulus, makes no effort to conceal his opposition to separate development, and frequently embarrasses the regime—e.g., by persuading the Zulu "legislature" to refuse to include a pledge of allegiance to South Africa in Kwa Zulu's constitution. Believing he has no chance of reversing Apartheid, however, Buthelezi reluctantly goes along with the homelands program, but constantly presses the government for more land, more jobs, and a greater Zulu role in local government.

23. By insisting that the regime live up to its implicit commitment to make Apartheid work, these leaders have brought increasing publicity, from within South Africa and abroad, on the government's policies. The administration now fully understands that black immigration and settlement in the tribal homelands will not take place without substantial political and economic costs. Already it has made significant concessions. The government recently accelerated the drawing up of plans to consolidate scattered pieces of Zulu territory (from around 200 to 4), despite inevitable opposition from white farmers who will have to resettle elsewhere. The government also has responded to Bantustan demands for economic aid (see paragraph 31).

Urban Non-Whites

24. Urban blacks are a source of growing concern to the government. In spite of a decade of intensive efforts to move blacks from white areas to tribal reserves, almost five million blacks lived in white urban areas in 1970—over a million more than in 1960. The regime tries to conceal from the white elec-

torate its failure to stem the flow of blacks into white cities. It produces official statistics to show continuing movement into the homelands; but these statistics reflect the government's redefinition of "tribal homeland" to include scattered black settlements on the fringes of white cities. The government has sought to counter the potential threat of urban black nationalism by introducing tribal separation into the black suburbs *via* separate schools and residential wards. The government may be obliged, however, to deal with the urban Africans by some means other than this artificial linkage to the Bantustans.

25. There is evidence of increasing political activism, particularly during the past year. A black educational association, ASSECA, could be used to work toward political ends. The black South African Students' Organization (SASO) has grown rapidly to 3,000 members, and has taken a radically black separatist line—not only in breaking with the multiracial National Union of South African Students, but in its growing role in urban black political life. In December SASO leaders took over a conference of black organizations, and forced through a resolution calling for non-cooperation with official political institutions—i.e., the urban Bantu councils and the homelands governments. This non-cooperation strategy became the policy of the Black Peoples' Convention, a new political organization established in January. But however ambitious or radical the programs, they have little chance of being implemented. All such organizations run high risks. Long before they could become even a remote threat to the regime, they would be rolled up by the security police. Indeed, it may happen anyway.

26. Two other ethnic groups, the Coloureds and the Asians, have become more vocal politically, and thus pose new problems for the government. The Coloureds are an Afrikaans-speaking community of mixed race which has

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inhabited the Cape area for several hundred years. They consider themselves culturally linked to the whites, not the Bantu, and are mostly employed at marginal jobs in the white economy. Government policy toward the two million Coloureds is temporizing; it envisages their "parallel development" in the "white area" rather than a "homeland". The 600,000 Asians are in a similar political limbo.

C. Apartheid and the Economy

27. Another area of contention is the growing conflict between the government's Apartheid program and the needs of the economy. Implementation of several major Apartheid measures has brought the administration into conflict with important groups of white South Africans.

28. *Labor Restrictions.* South Africa's chronic shortage of skilled labor is a result of rapid economic growth and long-standing restrictions on the use of non-white labor. Just how much these restrictions may have impeded growth is unclear. The business community has been increasingly irritated by them, but has found ways around them in certain instances. The government either makes formal exceptions or looks the other way when blacks are hired to fill a persistent shortage of skilled construction workers. It has bowed to a pressing need for railway workers by persuading the all-white rail unions to let skilled blacks work, though on a segregated basis.

29. *Industrial Decentralization.* The government has passed a number of laws aimed at developing industry along the Bantustan borders. These laws, which are an integral part of the regime's program to make a success of the Bantustans, essentially require industries with a high proportion of black employees to establish or expand only in the border areas. South Africa's business community has vigorously opposed this plan, citing the lack of infrastructure, distance from markets, and other

disadvantages of the border areas. As a result, the government has modified its approach. A high-level apparatus for appeal and review has been established, and a series of inducements (including tax and transportation rebates) to relocation have been instituted.

30. *Costs of Bantustan Development.* Although the Bantustan program has not yet been costly to the government, outlays are rising. In 1971 the regime budgeted some \$300 million to be spent within the Bantustans—only about six percent of total budget expenditures, but half again as large as the 1969 allocation. So far, however, very little development has taken place. Several authoritative studies have concluded that the government should create between 40,000 and 50,000 new jobs for Bantustan workers each year. Actual results fall far short of this: fewer than 150 new jobs a year within the homelands, and roughly 6,000 a year along their borders.

31. This situation confronts Vorster with a growing problem. For domestic political reasons, and to a lesser degree for South Africa's image abroad, the Bantustan program must not appear to be a complete failure. But Vorster knows that this can be avoided only by massive development efforts, which would mean higher taxes for the white voters; and a recent poll showed that 40 percent of them think the Bantustans already cost too much. The administration has only recently begun to face up to this issue, and the measures proposed to date are unpromising. A recent government proposal to levy a Bantustan development tax on employers and workers throughout South Africa is running into stiff opposition, and may well be dropped. Within the past few weeks the regime, reversing its previous stand against any foreign involvement in the tribal homelands, announced that it no longer opposes foreign aid to the Bantustans; but few countries are likely to want to be involved in supporting dependencies of Pretoria.

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D. Slowing Economic Activity, 1970-1971

32. The administration has come under growing criticism both from the white business community and from opposition parties, for its recent handling of trade, monetary, and fiscal matters. In 1970-1971 a depressed world market for metals and agricultural products caused a dip in South Africa's export earnings. Gold sales from current production, which in past years financed almost half of South Africa's imports, failed to increase as rapidly as in the past. At the same time growing inflation, brought on in large part by substantial increases in government outlays for defense, government pay raises, white wage inflation, and other factors, led to a sharp rise in imports. In 1970 and 1971 the government enacted a series of monetary and fiscal measures to cool off the economy. These measures, together with reduced world demand for some key South African exports, were the main causes of the slowdown in real economic growth from the six percent annual average of the 1960s to around four percent in 1971. (For details, see Annex: Economic Trends in South Africa.)

33. But these conditions do not appear to be permanent. Although there is no prospect for an expansion of gold production through 1975, gold prices are likely to continue to rise, and this will contribute to higher foreign exchange earnings. Other exports are expected to resume growing as demand picks up again in South Africa's major export markets. Recent currency revaluations also will tend to stimulate exports. Net capital inflows will continue to help fuel domestic investment, although their likely levels—on the order of \$300-\$500 million a year—will be substantially below those of 1970 and 1971. Economic growth is likely to average four and one-half to five percent a year during the next few years, falling short of the government's 5.5 percent target. Despite potential difficulties the economy

is basically strong, and neither import restrictions nor the lower economic growth rates compared to the 1960s are likely to have a significant adverse impact on white living standards. These constraints are not likely to shake basic political attitudes, but could affect the government's ability to carry out programs for separate development.

IV. PRESSURES FOR CHANGE

34. The limits of social and political change in South Africa are determined by the basic strength underlying white minority rule. White South Africa is a modern European country of four million people, with by far the strongest economy and most modern armed forces in sub-Saharan Africa. This gives the whites a decisive advantage in maintaining their rule over South Africa's 16 million non-whites, most of whom still live in primitive conditions in designated tribal or racial areas.

35. In spite of the regime's clear predominance, there are a number of areas in which it will be unable to direct domestic developments as it would wish. A major concern is the rapid growth of the non-white population, and its continuing influx into white urban areas. (See Table.) Black and Coloured populations are increasing at a rate of three percent or more per annum, against a white increase of under two percent. By 1970 roughly seven million non-whites lived in white urban areas, compared to only 5.8 million in 1960, and this rapid influx will almost certainly continue.

36. The government's official solution—partition into white and non-white areas—is not working, and almost certainly will not work. Government leaders are aware of this. In spite of elaborate pass controls and other regulations on movement, far more blacks come to seek work in the white cities each year than are removed to tribal areas. Moreover, the

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POPULATION TRENDS IN SOUTH AFRICA *

In Millions of Persons							
YEAR	TOTAL POPULATION	BLACKS	COLOURED ^s	WHITES	ASIANS	WHITE URBAN AREAS ^b	
						NON-WHITES	WHITES
1960	18.1	12.4	1.75	3.4	.5	5.8	2.6
1970	21.5	15.	2.	3.9	.6	7.	3.5 *
2000	50-56	37-41	5-6	6.5-7	1-2	31-35	5.5

* Based on official census data and South African Government projections.

^b Based on official data for blacks and whites, and rough estimates of Asian and Coloured urban/rural breakdown.

* Ninety percent of the whites lived in urban areas in 1970, as compared with 77 percent in 1960.

government knows that the Bantustans, even under the most optimistic assumptions, will not support the population intended to be settled there. To bring these areas anywhere near a condition of economic viability, the government would have to be willing, for an indefinite period, to increase by several times its annual budgetary allocations for homeland development. This seems extremely unlikely, particularly in view of the pressure Vorster will be under during the next several years to reduce government spending.

37. Vorster is showing flexibility and some imagination in his efforts to keep the Bantustan program alive and to keep its costs down. His proposals for a homelands development tax and for foreign aid to the Bantustans are intended to give it a semblance of life. Late in 1970 he hedged his bet, however, by declaring that a Bantustan might be given independence without being economically viable. This kind of temporizing is typical of the government's approach.

38. But the two million Zulus and one and one-half million Xhosas who occupy the largest Bantustans, and who are headed by strong-willed and politically able leaders, are not

likely to slacken their efforts to extract additional economic and political concessions. Their political self-confidence is growing. Both groups are experienced in modern political processes: they know the value of mass demonstrations, the dramatic gesture, and a good press. They also are aware that their support of separate development is important to the white leadership, and their labor to South African industry. Their relationship to white South Africa is therefore not entirely one of dependence. The Vorster administration probably will be faced with growing restiveness in the Bantustans, and escalating demands for land,^c territorial consolidation, jobs, welfare, and development aid—substantially beyond its intent or capacity to deliver.

39. A small but growing group of whites, including Afrikaners, is pressing the regime to change. These people, who include businessmen, students, editors, churchmen, and academicians—some prominent and influential people among them—are increasingly impatient with the present leaders' narrow, *laager* men-

^c Currently, the black homelands have been allocated about 13 percent of South Africa's land area.

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tality.* They are distressed by the more blatant and degrading aspects of Apartheid, and by the administration's police tactics, and are embarrassed by the unflattering image of South Africa which the government projects abroad. They would like to see some liberalization of South Africa's political and social institutions; most of them favor some form of racial separation, but they want it to be more humane and less doctrinaire than the policy currently being followed.

40. But this opposition still amounts to a small minority of white opinion. Vorster's National Party (NP) has 118 of 166 seats in parliament; the United Party (UP) which favors a less doctrinaire approach, but is no less dedicated to white supremacy, has 47. The Progressive Party, which offers the only real alternative to Apartheid—i.e., a multiracial society—polls only three and one-half percent of the vote and has one seat in parliament. A right-wing Afrikaner party, favoring an even tougher policy toward non-whites, also polls about three and one-half percent. Recent local elections have shown a significant swing toward both left and right opposition candidates.

41. Vorster's NP would win an easy majority if general elections were held today; but the heavy white support which the party has enjoyed for decades is eroding. Between now and the general elections scheduled for 1975, the Vorster government will come under increasing pressure to show that it can effectively administer a complex, modern economy, and that it can maintain white supremacy in the face of mounting black demands for a bigger stake in the society. To do these things without losing its hard-core Afrikaner support will tax the regime's capacity to be flexible without

* *Laager* originally meant the defensive circle of wagons which the Boers would form around their encampments during the long trek. Now it describes the besieged, defensive, inward-looking attitude of most Afrikaners.

appearing to make damaging concessions. Although there is talk of a party realignment—NP "modernists" and UP "moderates" joining forces to dump Vorster and the more conservative of his group—nothing this radical is likely to occur in the next few years.

V. THE OUTLOOK FOR CONTINUITY AND CHANGE

42. We see virtually no prospect that white minority rule in South Africa will be overturned in this decade. Nor do we expect it to be seriously threatened during the next three or four years. The policy of separate development is not likely to be soon abandoned, even though there may be some small shifts in party alignments over the issue of a "soft" vs. a "hard" line on Apartheid. We do expect increasing ferment to come in some, probably all, of the racial compartments of South African society. The black community is showing more vitality and cohesion than it has for many years. Black nationalism will grow slowly and cautiously in the atmosphere of police repression and tribal affinities; but it will not be snuffed out in any case.

43. The response of Vorster and his successors depends largely on how serious a challenge they perceive to continued white supremacy. The potential for spontaneous outbreaks of violence clearly exists. There is no evidence, however, that the non-whites are organized for mass action. But to white South Africans, the examples of the Ovambo general strike in South-West Africa, the Rhodesian blacks' concerted opposition to the Smith-Heath settlement, and the recent political actions within the Bantustans indicate that southern Africa's blacks are by no means as docile or politically apathetic as was generally assumed. Certainly large-scale civil disorder would be met with heavy repression, which the majority of whites would support. But short of such a challenge, a small but growing

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number of whites will favor a softening of Apartheid. Furthermore, Vorster's failure to act decisively as the Ovambo strike dragged on more than a month, and his vacillating policy on Bantustan development, suggest that even the conservative white leadership is no longer as confident or as unified as advertised.

44. In the short run, at least, a softening of rigid Apartheid policies probably would not have much effect on the government's ability to control non-whites. The petty harassments of Apartheid could be dropped without endangering the security of the white community. Similarly in a rapidly-growing economy white living standards would not be likely to suffer from a flexible application of job reservations toward expanding opportunities for non-whites. Indeed, it appears that the Coloureds are in this way achieving a gradual *de facto* entry into the mainstream of white economic life. The sticking point for many years will remain the monopoly of political power by whites. And here there is little prospect of significant white concessions.

45. In the next few years, and probably even longer, the Bantustans will be the principal source of black political expression. Their growing legislative and administrative experience, the example set by dynamic tribal leaders, and the quickening sense of political cohesion suggest that they will find ways to increase their capability to extract concessions from Pretoria. Inevitably they will exercise greater control over their own affairs, and will probably seek to extend their influence to urban blacks.

46. The Vorster government may try to move faster toward Bantustan self-government than it previously intended. It may see the granting of independence as a useful device in alleviating the growing political discontent and potential dissidence in the homelands. The Pretoria regime might also feel that it could get others to share the burden of eco-

nomic aid claims coming from an independent Transkei or Zululand. For the next two or three years, however, it is unlikely that the white voters will be prepared to see formally independent black states created in their midst, nor are the main Bantustan leaders likely to agree even to nominal independence without greater South African commitments of development aid.

47. Over the longer term it seems inevitable that black demands for a bigger stake in modern South African society will grow, and that the prospect of violent social upheaval will increase. But the whites seem unlikely to relinquish voluntarily any significant degree of control over South African political and economic life. They are likely to continue to believe that a white retreat on Apartheid would only lead to black demands for still greater concessions. In any case, the awakening political consciousness and economic power of South African blacks, and the probable eventual emergence of more demanding, more militant leaders, make it likely that South Africa's black communities will chart their own courses of action, largely independent of the white community.

VI. IMPLICATIONS FOR THE UNITED STATES

48. The South African Government has much to gain from improved relations with the US. Aside from the tangible advantages of improved trade and a more favorable official US attitude toward US investments in South Africa, a warming trend in its US ties would be a big boost in South Africa's effort to gain international respectability and at least tacit acceptance of its racial policies. For these important reasons, the Pretoria regime almost certainly will continue to press for improved relations with the US.

49. US concerns with respect to South Africa focus on strategic-military considerations,

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US trade and investments, and the impact of South African racial policies, both on official US relations with black Africa and on American firms with interests in South Africa.

50. The importance of South Africa to the West has been enhanced as a result of the closure of the Suez Canal and the greatly expanded world shipping—merchant and naval—around the Cape of Good Hope. (Since 1967 the Soviets have made about one hundred naval transits around the Cape.) Vorster recognizes this and realizes that the West is increasingly concerned over the Soviet naval presence in the Indian Ocean.⁷ He will seek to capitalize on these developments to advance South Africa's foreign policy objectives. In particular, he will hope that US interest in access to his country's ports and shore facilities will enable him to establish a closer relationship with the US, implying at least tacit acceptance of South Africa's racial policies and improving its image abroad.

51. US direct investment in South Africa totals about \$860 million—about a fourth the size of Britain's, and the largest chunk of US investment in sub-Saharan Africa. To the ex-

⁷ See NIE 11-10-71, "The Uses of Soviet Military Power in Distant Areas", dated 15 December 1971, SECRET, for a discussion of Soviet activities in the Indian Ocean area.

tent that other countries take a harder line on foreign investments, the profitable and stable investment climate in South Africa looks good to US business. Recently, however, US firms with South African branches have come under hard and detailed criticism at home for their employment practices and other activities in South Africa. Such scrutiny already has led several US firms to improve working conditions, including wages, training, and promotion opportunities, etc., for their black South African employees. This in turn, has led other foreign-owned firms in South Africa to review their employment practices.

52. As long as Pretoria pursues its present racial policies, official US ties with the South African Government will come under criticism, both at home and from other nations—especially the independent states of black Africa. NATO links to Portugal, and US financial and economic interests in southern Africa, enable critics to link the US to the southern Africa problem. In fact, US capacity to influence South African domestic racial policies is limited. Whatever changes occur seem certain to come from within, and largely as a result of changing white attitudes. But white domination is seen by South African whites—particularly the Afrikaners, who claim no other homeland—as a matter of survival. It is not negotiable.

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ANNEX

ECONOMIC TRENDS IN SOUTH AFRICA

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ECONOMIC TRENDS IN SOUTH AFRICA

I. SOUTH AFRICA'S ECONOMIC PROFILE

1. South Africa is an extreme example of the dual economy. At the apex are 4 million whites, who live in a modern, diversified European economy, and who enjoy living standards comparable to those in the US. Some 7 million blacks and other non-whites live on the fringes of the modern sector, and many of these enjoy living standards which are high by African standards, though far below those of South Africa's whites. At the base are an additional 9-10 million blacks who must live among the scattered pieces of rural land assigned to each tribe as its homeland. Most of these people are engaged in extremely primitive subsistence agriculture.

2. South Africa's wealth is based on its vast mineral resources: it is one of the world's largest producers of gold, diamonds, platinum, chrome, uranium, manganese, antimony, and vanadium. Its major export is gold, which continues to bring in around a billion dollars in foreign exchange each year.

3. But manufacturing is far more important to South Africa's economy. The government has followed a vigorous policy of promoting industrial expansion. Through a variety of state corporations (e.g., in iron and steel, pulp, and phosphates) the government owns and operates a larger share of national industry than any industrial country outside the Communist group of states. In addition the government has encouraged both domestic and for-

eign private investment. As a result of these policies, manufacturing now contributes the largest single share of gross domestic product (GDP)—more than 22 percent—while mining accounts for a little under 12 percent and agriculture less than 10.

II. DEVELOPMENTS IN 1966-1969

4. During the last half of the 1960s the South African economy continued to experience rapid economic growth, only moderate price rises, and a favorable international payments position. Real growth averaged 5.8 percent a year. As in past periods, by far the larger part of this gain went to South Africa's white minority.

5. Although fixed investment grew less rapidly than output, the investment boom earlier in the 1960s provided sufficient industrial capacity to cope adequately with rising demand. Exports other than gold rose by \$584 million (more than a third), and imports expanded less rapidly than overall output. Current account deficits were thereby reduced, even though gold sales—which in the past accounted for almost half of South Africa's annual export earnings—increased only negligibly. Substantial net inflows of capital continued during this period. By the end of 1969, South Africa's foreign reserves amounted to \$1.5 billion—more than twice the 1965 total.

6. Toward the end of the period government spending increased rapidly, as stagnant gold output and the prospect of UN economic sanctions persuaded Pretoria to raise invest-

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ments in infrastructure in support of future industrial development. Defense spending was also growing, and consumer spending had begun a rapid rise.

III. RECENT ECONOMIC PERFORMANCE

7. By 1970, accelerating public expenditures generated an inflationary outlook among private consumers, and thus fueled growing rates of inflation and sharply rising imports. Larger allocations for defense, higher interests costs on the growing public debt, and increased salaries and pensions for civil servants were chiefly responsible for the overall rise of government recurrent spending by 12 percent in 1970 and a further 27 percent during January-September 1971 over the corresponding 1970 period. The budget deficit grew by 14 percent between 1969 and 1970, and by another 84 percent in January-September 1971, when it equaled 23 percent of total expenditures. Inflation was further accelerated during 1970 and most of 1971 by private consumers who reduced their saving rate and by manufacturers and distributors who raised their purchases in anticipation of further price rises.

8. Growth in private and public spending, increases in government-administered prices, and sales tax hikes all contributed to the rise in consumer prices of 4.1 percent in 1970 and 6.3 percent during January-September 1971, compared with the 1966-1969 average of 3.1 percent annually. The stepped-up inflation induced Pretoria in late 1970 and in 1971 to restrict credit for the private sector through monetary controls, and to stimulate savings through higher taxes and borrowing from the public. The authorities restricted bank lending and consumer credit, and raised interest rates generally. Personal income taxes, as well as sales and other indirect taxes, were raised.

TABLE I

SOUTH AFRICA: GROWTH OF PRODUCTION, EXPENDITURES, AND CONSUMER PRICES

Annual Increase (Percent)			
	1966-1969	1970	1971 *
Gross Domestic Expenditure			
At Current Prices	9.1	14.4	15.0
Private Consumption	9.1	11.0	10.9
Government Consumption	10.6	11.8	27.3
Fixed Investment	7.3	16.8	13.0
Changes in Inventories	10.1	78.7	25.0
Consumer Prices	3.1	4.1	6.3

* Based on January-September data.

9. Imports rose 20 percent in 1970 and 16 percent in January-September 1971. During this period spreading recession among industrial countries reduced their demand for some key commodity exports—notably, diamonds, platinum, copper, wool, and fruit, which made up 41 percent of non-gold exports in 1969. Trade deficits of \$1.6 billion in 1970 and \$1.5 billion in January-September 1971 far surpassed the value of gold production, still at little more than the 1965 level (see Table II). Despite continued large net capital inflows, foreign reserves fell to \$844 million in September 1971, the lowest level since the end of 1967. In November 1971 the regime imposed import controls, and in December the rand (the South African currency unit) was devalued.

10. Real economic growth in 1971 was reduced to roughly four percent in contrast to an average of 5.8 percent for the period 1966-1969. The main causes were fiscal and monetary measures taken to reduce inflation, and the poor export performance.

IV. ECONOMIC PROSPECTS

11. The South African economy most likely will grow at an average annual rate of about 4 percent during the next year or two and about 5 percent through 1975. Both the in-

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TABLE II
SOUTH AFRICA: BALANCE-OF-PAYMENTS *

Million US Dollars

	1965	1969	1970	Jan-Sept 1970	Jan-Sept 1971
Imports	2,519	3,009	3,611	2,628	3,037
Exports, excluding gold sales	1,494	2,078	1,988	1,512	1,569
Trade balance, excluding gold	-1,025	-931	-1,623	-1,116	-1,468
Gold sales from current output	1,085	1,186	1,172	872	932
Services and transfers (net)	-470	-612	-696	-460	-475
Current account balance	-410	-357	-1,147	-704	-1,009
Capital receipts (net)					
Private long term	109	225	456	238	382
Private short term	43	-10	125	97	169
Unrecorded transactions and errors ..	85	69	53	24	85
Official transactions	119	-8	146	117	87
Capital account balance	356	276	780	476	723
Balance of payments	-53	-81	-367	-228	-286
Decrease in reserves (- = increase)	53	81	367	228	286
Gold	150	129	448	193	187
Foreign exchange and IMF special drawing rights (SDRs)	-97	-48	-81	35	99
Reserves (end of year)	672	1,497	1,130	1,268	844
Gold	424	1,114	666	921	479
Foreign exchange and SDRs	248	382	464	347	365

* Components may not add to totals due to rounding.

* Valued at the pre-December 1971 official price of \$35 per ounce.

flation and the unfavorable foreign payments situation call for some damping of the growth of overall demand for the next three to four years. Foreign payments problems are likely to remain a constraint throughout the period because of the poor outlook for expanding gold production.

12. Although prospects for increasing gold production are poor, rising prices probably will increase gold's contribution to export earnings during 1972-1975. On balance, expected declines in output by established mines should

be about offset by production from new mines planned to be opened during 1972-1975. Hence annual gold output is expected to be maintained at about current levels during the next several years. Leaving aside speculative influences, which have driven the free market price of gold to an abnormally high \$48 an ounce currently, free market prices are likely to rise more or less parallel with the growth in demand for non-monetary gold: 3-4 percent annually through 1975. This means that South African free market gold sales from

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current output could reach about \$1.5 billion, or one-fourth more than in 1970 and 1971.^a

13. Prospects for increasing exports of products other than gold are relatively favorable. The five percent devaluation of the rand against the dollar and the revaluation against the dollar by several countries that are important markets for South Africa—notably the UK, Japan, West Germany, and other West European countries—should stimulate South African exports to these areas. Rising economic growth prospects beyond 1972 would also have a favorable impact. Agricultural exports, almost one-third of total exports in 1970, may achieve the post-World War II growth rate of near six percent annually, under normal climatic conditions. Wool sales, for example, should improve because of a 12 percent devaluation of the rand against the currency of Australia, a major wool export competitor. Although the currency realignments will benefit South African exports, the impact in a few important products—particularly fruit—may be at least partly offset by other factors: especially increased competition from European fruits when the UK—which currently buys one-third of South Africa's total exports—enters the Common Market.

14. Even if, as seems likely, total export earnings rise to \$4.0 billion by 1975, South Africa could not maintain imports during the next couple of years at the inflated 1971 level of \$4.1 billion. Imports may, in fact, decline this year. The currency realignments of De-

^a Neither an internationally accepted increase in the official price of gold—i.e., the price at which the world's central banks value the gold in their foreign exchange reserves—to \$38 an ounce, nor the five percent devaluation of the rand against the US dollar, is likely to have any impact on South Africa's earnings from gold sales. This is because South Africa sells virtually all its gold output on the free market, where prices have been (and are likely to remain) substantially higher.

cember 1971 will cause prices of imported commodities to rise by an average of about 13 percent, reducing sharply their attractiveness. Demand for imports will continue to be damped, in addition, by fiscal and monetary restraints designed to curb inflation. Some direct import controls nevertheless may have to be maintained for some time.

15. Pretoria must work toward achieving near-balance in the trade account because net capital receipts probably will be largely offset by deficits on the services account. Net capital inflows in 1972-1975 are likely to be substantially lower than the unusually high 1970 and 1971 levels, which averaged about \$900 million per year. Capital inflows were large in the last two years because of substantial government borrowing abroad, excessive short-term foreign credits to importers, and long-term private investment inflows attracted by high interest rates and profitable business opportunities. The incentive for long-term foreign investment remains, but net inflows probably will not exceed \$500 million annually and may be as low as \$300 million. Even inflows at the upper end of the range would little more than cover the prospective service account deficits.

16. At the anticipated average annual 4.5 percent to 5 percent rate, South African economic growth would about match the 1970-1971 performance but remain somewhat below the record of the 1960s. Changes of this magnitude in economic performance would hardly be perceptible to most South Africans over a period of just a few years. The government probably will, however, have to moderate its spending for infrastructure to support industrial development as well as for some of the programs associated with separate development. Its resources will permit only slow progress in developing the black homelands and the border industries.

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